

## DEBT MANAGEMENT

The City manages its long term financing needs through periodic issuance of General Obligation bonds. Debt service expenditures include principal and interest payments on the City's outstanding bonded debt. These payments are budgeted in the funds that incur the debt: for example, water and sewer debt service is paid from the Water and Sewer Fund. In addition to General Obligation bonds, the City issues revenue bonds and enters into installment sales/lease obligations as allowed under state statutes.

**Ratings:** Bond ratings are measures of the City's credit worthiness. The rating agencies analyze the City's economic condition, debt management, administrative leadership and fiscal planning and management to determine the quality of the City's credit. The City has a "triple A" rating from all three rating agencies (Standard and Poor's, Fitch IBCA and Moody's Investor Service). This represents the highest possible rating for municipal debt, indicating that the City has outstanding credit worthiness. The City's high bond ratings have allowed it to broaden the market for its bonds and to lower the interest costs for borrowing.

### General Obligation Bonds

#### *Bonds Issued*

The City's General Obligation bonds are the only indebtedness to which the City's full faith and credit is pledged. Below is breakdown of the General Obligation bonds issued by function.

#### *Fiscal Year 2002-03 Obligations*

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
General Fund	\$5,106,862	\$4,549,714	\$9,656,576
Water & Sewer	\$6,534,435	\$5,119,376	\$11,653,811
Solid Waste	\$1,546,159	\$1,602,329	\$3,148,488
Civic	\$949,480	\$238,861	\$1,188,341
Transit	\$53,064	\$24,589	\$77,653
<b>Total</b>	<b>\$14,190,000</b>	<b>\$11,534,869</b>	<b>\$25,724,869</b>

Interest includes variable interest.

#### *Future Obligations*

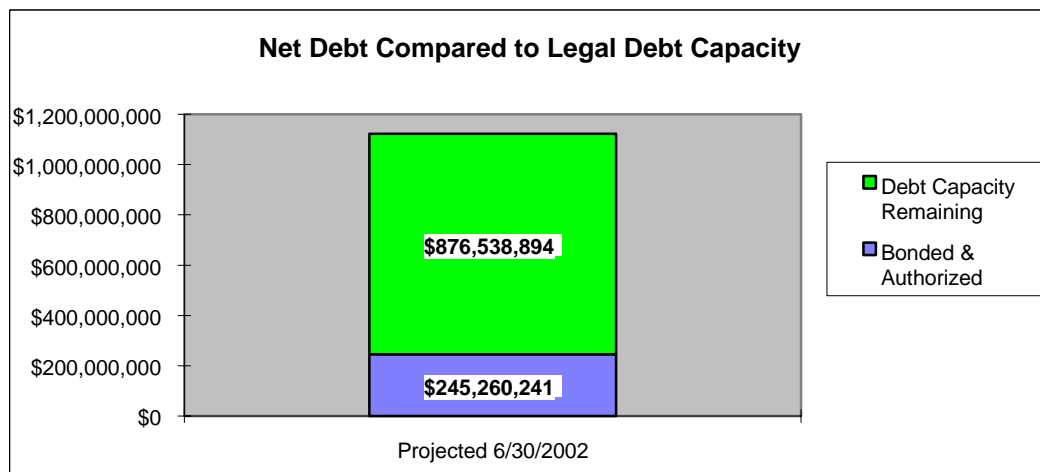
	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
General Fund	\$66,938,575	\$32,190,899	\$99,129,474
Water & Sewer	\$86,592,785	\$29,830,453	\$116,423,238
Solid Waste	\$34,919,256	\$14,812,027	\$49,731,283
Civic	\$2,299,302	\$236,157	\$2,535,459
Transit	\$375,082	\$70,409	\$445,491
<b>Total</b>	<b>\$191,125,000</b>	<b>\$77,139,945</b>	<b>\$268,264,945</b>

*Authorized and Unissued:* The following is a representation of authorized general obligation bonds that have not been issued as of June 30, 2002.

<b>Authorization</b>	<b>Amount</b>
Arts & Museum	0
Housing	11,286,000
Park & Rec. Facility	2,603,000
Public Transportation	1,715,000
Streets	11,168,000
<b>Total</b>	<b>\$ 26,772,000</b>

*Legal Debt Limit:*

The City is subject to the Local Government Bond Act. The Act limits the net bonded debt that the City may have outstanding to eight percent of the appraised value of property subject to taxation. As of June 30, 2002 the City had the statutory capacity to incur additional net debt in the approximate amount of \$876,538,894.



**Contracts Payable**

*Lease/Installment Sales:*

The City has contracts payable to the New Durham Corporation with terms of twenty years with principle and interest due annually. The following is a summary of these payments by the obligated funds:

*Fiscal Year 2002-03 Obligations*

<b>Fund</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
General	\$3,360,000	\$1,626,510	\$4,986,510
Ballpark	\$615,000	\$339,148	\$954,148
Parking Facilities	\$675,000	\$323,970	\$998,970
<b>Total</b>	<b>\$4,650,000</b>	<b>\$2,289,628</b>	<b>\$6,939,628</b>

<i>Future Obligations</i>			
<b>Fund</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
General	\$29,815,000	\$10,571,355	\$40,386,355
Ballpark	\$7,650,000	\$1,769,525	\$9,419,525
Parking Facilities	\$6,535,000	\$1,471,670	\$8,006,670
<b>Total</b>	<b>\$44,000,000</b>	<b>\$13,812,550</b>	<b>\$57,812,550</b>

*Continuing Contracts:*

The City also has contracts payable to Durham Risk Management Corporation with respect to the payment of two series of certificates of participation in an aggregate amount of \$20,100,000 in principal. The certificates provide funds to capitalize the City's risk related activities. Following is a summary of the payments due:

<i>Fiscal Year 2002-03</i>			
<b>Claims Fund</b>			
<b>Description</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
1993 Series A COPs	\$4,800,000	\$260,000	\$5,060,000
<b>Total</b>	<b>\$4,800,000</b>	<b>\$260,000</b>	<b>\$5,060,000</b>

<i>Future Obligations</i>			
<b>Claims Fund</b>			
<b>Description</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
1993 Series A COPs	\$5,000,000	\$520,000	\$5,520,000
1993 Series B COPs	\$10,300,000	\$1,000,000	\$11,300,000
<b>Total</b>	<b>\$15,300,000</b>	<b>\$1,520,000</b>	<b>\$16,820,000</b>

**Revenue Bonds**

The City's Revenue bonds are payable solely from the revenues generated from the purpose they were issued for: Below is a breakdown of the revenue bonds issued by fund:

<i>Fiscal Year 2002-03</i>			
<b>Fund</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
General Fund - Durham Hosiery Mill	\$60,000	\$393,000	\$453,000
Water and Sewer Utility	\$1,990,000	\$2,409,860	\$4,399,860
<b>Total</b>	<b>\$2,050,000</b>	<b>\$2,802,860</b>	<b>\$4,852,860</b>

<i>Future Obligations</i>			
<b>Fund</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
General Fund - Durham Hosiery Mill	\$4,855,000	\$7,134,000	\$11,989,000
Water and Sewer Utility	\$46,320,000	\$21,969,846	\$68,289,846
<b>Total</b>	<b>\$51,175,000</b>	<b>\$29,103,846</b>	<b>\$80,278,846</b>

**State Loan**

The City is obligated to repay a loan from the State of North Carolina to fund the Northside Waste Water Treatment Plant upgrade and expansion project.

*Fiscal Year 2002-03*

<b>Fund</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Water and Sewer Utility	\$885,000	\$406,616	\$1,291,616

*Future Obligation*

<b>Fund</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Water and Sewer Utility	\$10,815,000	\$2,567,655	\$13,382,655

## OVERLAPPING DEBT ANALYSIS AS OF JUNE 30, 2002

The taxpayers of the City of Durham are also taxpayers of Durham County. Consequently, an analysis of the tax supported debt burden of the city residents must also include a proportionate share of County debt. The debt is generally apportioned based upon the relative assessed valuations of the City and County. The following table illustrates the effect of overlapping debt on the city taxpayer.

Unit	G.O. Bonds <sup>1</sup>	Percent Applicable to City Taxpayers	City Taxpayers' Share of Debt	City Per Capita Share of Debt
City of Durham	\$112,016,081	100%	\$112,016,081	
County of Durham <sup>2</sup>	\$138,790,000	80.54%	\$111,787,322	
<b>Total</b>			<b>\$223,803,403</b>	<b>\$1,259.80</b>

1. The following debt has been excluded from the calculation:
  - City G.O. Bonds: Water and Sewer
  - County G.O. Bonds: Sewer Utility
2. County debt information is from the County's Comprehensive Annual Financial Report for the period ended June 30, 2001.

Note: The chart above does not include the debt of Special Airport District of Durham and Wake Counties. These bonds are payable solely by the authority out of airport revenues.

